

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00 CIEP-02

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SCI-06 SP-03 SS-20 STR-08 TRSE-00 NSF-04 FRB-02

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E.O. 11652: N/A

TAGS: ETRD EFIN IT UR

SUBJECT: ITALIAN SALE OF CHEMICAL PLANTS TO USSR

1. SUMMARY. DURING RECENT LOW-KEY VISIT TO MOSCOW, ENTE NAZIONALE IDROCARBURI (ENI) DIRECTOR GIROTTI CONCLUDED DEAL FOR CONSTRUCTION OF CHEMICAL PLANTS IN USSR VALUED AT NEARLY ONE BILLION DOLLARS. SOVIETS WILL EFFECT LONG-TERM REPAYMENT THROUGH DELIVERY OF CHEMICALS, OIL AND NATURAL GAS TO ENI, WITH ENI AGREEING MAKE FURTHER PURCHASES OF CHEMICALS AFTER REPAYMENT CONCLUDED. GIROTTI ALSO SIGNED NEW AND EXPANDED AGREEMENT WITH SOVIET COMMITTEE FOR SCIENCE AND TECHNOLOGY CALLING FOR JOINT RESEARCH IN OIL, NATURAL GAS, CHEMICAL AND TEXTILE INDUSTRIES. GIROTTI VISIT INCLUDED MEETING WITH
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KOSYGIN AND AGREEMENT ON PROVISION OF ENI TECHNOLOGY AND

KNOW-HOW TO SOVIETS THROUGH LICENSING ARRANGEMENTS. ACTION REQUESTED: EMBASSY WOULD APPRECIATE ANY INFORMATION AVAILABLE ON INTEREST RATE AND REPAYMENT ARRANGEMENTS. END SUMMARY.

2. RECENT VISIT TO MOSCOW (MAY 6-9) BY ENTE NAZIONALE IDROCARBURI (ENI) DIRECTOR RAFAEL GIROTTI, WHICH RESULTED IN GENERAL AGREEMENT ON CONTRACTS VALUED AT ABOUT DOLLARS 960 MILLION, RECEIVED MINIMAL COVERAGE IN SOVIET CENTRAL PRESS. ARTICLES WERE RESTRICTED TO FEW SENTENCES REPORTING GIROTTI MEETING WITH KOSYGIN, RENEWAL OF ENI COOPERATION AGREEMENT WITH SOVIET STATE COMMITTEE FOR SCIENCE AND TECHNOLOGY (SCST), AND CONCLUSION OF "GENERAL AGREEMENT" BETWEEN ENI AND MINISTRY OF FOREIGN TRADE FOR DELIVERY OF ITALIAN CHEMICAL PLANTS ON A COMPENSATORY BASIS. WE ARE INFORMED THAT GIROTTI MAINTAINED STRICT SECRECY WHILE HE WAS HERE, TO EXTENT THAT ITALIAN EMBASSY OFFICIALS DID NOT PARTICIPATE IN HIS TALKS WITH SOVIETS, INCLUDING MEETING WITH KOSYGIN.

3. FOLLOWING DETAILS HAVE RECENTLY EMERGED IN SOVIET ECONOMIC PUBLICATIONS. ALTHOUGH THERE HAS BEEN NO MENTION OF VALUE FIGURE OF LIRE 600 BILLION (ABOUT 957 MILLION DOLLARS) MENTIONED BY WESTERN WIRE SERVICES, WE BELIEVE THIS ESTIMATE IS ACCURATE.

(A) AT MINISTRY OF FOREIGN TRADE GIROTTI MET WITH NIKOLAY KOMAROV, DEPUTY MINISTER, AND ALSO WITH V.N. SUSHKOV, DIRECTOR OF ADMINISTRATION FOR IMPORT OF MACHINERY AND EQUIPMENT FROM CAPITALIST COUNTRIES. GENERAL AGREEMENT WAS SIGNED MAY 8 FOR ENI DELIVERY AND CONSTRUCTION OF "SIX LARGE CHEMICAL PLANTS." TWO OF PLANTS WILL PRODUCE 450,000 TONS OF AMMONIA YEARLY. OTHERS WILL PRODUCE ETHYLENE (6000,000 TONS PER YEAR), CARBAMIDE, OXIDIZED ETHYLENE AND METHANOL. IN ADDITION TO DELIVERY OF EQUIPMENT AND INSTALLATION, ENI WILL PROVIDE ALL NECESSARY TECHNOLOGY UNDER LICENSING AGREEMENTS.

(B) USSR WILL PAY FOR PLANTS THROUGH DELIVERY OF AMMONIA, METHANOL, CHLORIC POTASSIUM AND OTHER CHEMICALS. UNDER PROVISIONS OF LONG-TERM AGREEMENT, ENI WILL CONTINUE TO PURCHASE VARIOUS CATEGORIES CHEMICALS AFTER PLANTS HAVE BEEN FULLY PAID FOR.

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(C) IN MEETING WITH SCST CHAIRMAN GVISHIANI, GIROTTI SIGNED NEW COOPERATION AGREEMENT WITH SCST, AN EXTENSION OF EARLIER FIVE-YEAR AGREEMENT WHICH ENDS THIS YEAR. NEW AGREEMENT MUCH BROADER THAN PREVIOUS ONE, AND FOCUSES ON JOINT RESEARCH AND DEVELOPMENT BY ENI AND SOVIET EXPERTS. AT PRESENT ENI AND SOVIET SCIENTISTS HAVE DEVELOPED PROCESS FOR PRODUCTION OF UREA FROM AMMONIA THROUGH AN INTEGRAL SCHEME WHICH INVOLVES ONE

TECHNICAL CYCLE. THEY ARE ALSO INVOLVED IN JOINT RESEARCH TO FIND NEW CATALYTIC AGENT FOR ACRYLLIC FIBERS.

(D) UNDER TERMS OF NEW AGREEMENT, ENI AND SOVIET EXPERTS WILL CONCENTRATE ON RESEARCH IN CHEMICAL AND PETROCHEMICAL INDUSTRIES, WITH SPECIAL ATTENTION GIVEN TO JOINT LICENSING AGREEMENTS AND INTRODUCTION NEW TECHNOLOGY DEVELOPED IN BOTH COUNTRIES. THEY WILL ALSO WORK ON PROJECTS FOR EXTRACTION AND TRANSPORT OF OIL AND NATURAL GAS, INCLUDING CONSTRUCTION OF LIPELINES AND RELATED EQUIPMENT. LASTLY THEY WILL WORK TOGETHER ON NEW TECHNOLOGY FOR TEXTILE INDUSTRY AND "RECONSTRUCTION" OF SOVIET TEXTILE INDUSTRY CAPACITY. SCST WILL ORGANIZE A SPECIAL COMMITTEE OF ITALIAN AND SOVIET EXPERTS TO SUPERVISE JOINT RESEARCH PROJECTS.

(E) GIROTTI ALSO REPORTED TO HAVE SAID THAT ENI HAD PREPARED AGREEMENTS FOR JOINT PROJECTS WITH NUMBER OF DIFFERENT SOVIET MINISTRIES.

4. EMBASSY NOTES STATEMENTS IN WESTERN PRESS THAT ENI WILL BE PAID FOR CHEMICAL PLANTS IN CRUDE OIL AND NATURAL GAS AS WELL AS CHEMICAL PRODUCTION FROM PLANTS, WHICH ARE TO BE BUILT BY SNAM PROGRETTE DIVISION OF ENI. WE ALSO NOTE THAT ENI WILL PROVIDE 24 HEAVY-DUTY GAS PUMPING STATIONS FOR NATURAL GAS PIPELINES. WE WOULD BE INTERESTED IN FURTHER DETAILS EMBASSY ROME OR CONGEN MILAN MAY BE ABLE TO PROVIDE, ESPECIALLY REGARDING INTEREST RATE AND REPAYMENT ARRANGEMENTS. STOESEL

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